

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 11, 2016
	Agenda Item No.	67
	Roll Call No.	<u>16-0634 16-0635 16-0636 16-0637 16-0638</u>
	Communication No.	<u>16-188</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Hearings on the proposed plans, specifications and estimated cost of the Lease Purchase of the East 2nd and Grand Parking Garage and approval of a proposed Lease Purchase Agreement between the City of Des Moines, 101 East Grand Parking, LLC and West Bank. Approving professional services agreement with Neumann Monson for construction phase services. Approving Urban Renewal Agreement for Sale of Land for redevelopment with 101 East Grand Parking, LLC (Jake Christensen and Tim Rypma, officers and Jim Cownie, principal investor) for disposition and redevelopment of City-owned parking lots east of City Hall in the Metro Center Urban Renewal Area.

SYNOPSIS:

On December 21, 2015, by Roll Call No. 15-2185, Council approved preliminary terms of a master agreement for redevelopment of the City Hall parking lot. On March 7, 2016, by Roll Call No. 16-0413, Council approved the competitive process for sale and redevelopment of the City-owned parking lots east of City Hall, received a proposal from 101 East Grand Parking, LLC for redevelopment of the property and scheduled the hearing on the sale of the property for April 11, 2016.

This is a public hearing to allow for public input on the:

- Plans, specifications, form of contract and estimated cost of lease purchase for a public parking garage;
- Lease Purchase Agreement between the City of Des Moines, 101 East Grand Parking, LLC and West Bank; and
- Urban Renewal Development Agreement for redevelopment of the full block east of City Hall, including phased sale of land to 101 East Grand Parking, LLC for three (3) of four (4) phases of planned development.

In addition, staff recommends Council approve a professional services agreement with Neumann Monson for construction phase services, not to exceed \$95,490.

FISCAL IMPACT:

Amount:

- Phase 1, parking structure: Authorization is not to exceed \$25.7 million for a lease purchase agreement for a lease purchase acquisition of the City Hall Parking Ramp. Interest costs related to the financing will be determined when the City accepts the project and rates are set. The current estimated costs are \$24,810,166.
- Phases 2 and 3, private development: 70% TIF grant years 1-8, 60% years 9-10, 50% years 11-15 or residential tax abatement as provided by the City’s Urban Revitalization Plan and rebate

of the land cost. The estimated total amount of the economic development grant will be communicated to Council upon further resolution of the development proposal.

- Phase 4, City office: unknown; to be determined when project scope and design are developed.

Funding Source:

- Phase 1, parking structure: Parking System Revenues will be used to secure financing/pledged for payments.
- Phases 2 and 3, private development: Metro Center Urban Renewal Area project generated tax increment revenues or residential tax abatement as provided by the City’s Urban Revitalization Plan. If TIF is utilized, a project account for will opened when payments begin.
- Phase 4, City office: unknown; to be determined when project scope and design are developed.

ADDITIONAL INFORMATION:

Recommend construction and method of financing of the City Hall Parking Garage, also known as “East 2nd and Grand Parking Garage”, to be constructed for the City of Des Moines that will be located where the current City Hall and adjoining Embassy Suite parking lot exists, all in the block bounded by Robert D. Ray Drive, East 2nd Street, East Grand Avenue and East Locust Street, will accommodate approximately 535 vehicles, and will be a post-tensioned cast-in-place concrete garage with six (6) levels including the ground level. The parking garage will include entrances and exits on both East 2nd Street and East Grand Avenue.

The East 2nd and Grand Parking Garage will include the following:

- Removal of the existing asphalt parking lot and site grading.
- Underground storm water detention.
- Cast-in-place concrete stairwells, elevators and elevator lobbies on the east and west sides of the structure.
- Glass curtain walls on the east and west elevation.
- Parking control equipment, signage and pavement markings, cable barriers, storage, generator and IT rooms, natural gas fueled generator to power the elevators, parking control equipment and emergency lighting, solar panels. Lighting shall be LED.
- Construction of public storm and sanitary sewers, paved driveways and sidewalks, storm and sanitary sewer services.
- Installation of electrical and water services.

All in accordance Plan File Nos. 562-008/103. The proposed plans, specifications, form of contract and estimated total cost of the improvements are available for public inspection in the Des Moines City Engineer’s Office.

The lease purchase acquisition agreement will not exceed \$25.7 million. The actual project construction cost estimate has been independently reviewed and was found to be reasonable. The estimated project cost totaling \$24,810,166 includes property, professional services, construction financing, and construction as follows:

Land acquisition	\$ 2,269,392
(transaction necessitated by the LPA financing structure, results in a net zero {0} land cost to the City)	
Garage Construction	\$18,333,000

Allowances	\$ 765,865
(parking control equipment, rubble and contaminated soil removal, etc)	
Soft Costs	\$ 3,291,909
(architecture, engineering, traffic and parking studies, finance fees, development fees, etc)	
Special Inspections	\$ 150,000

City staff has negotiated a Lease Purchase Agreement (LPA) with 101 East Grand Parking, LLC, and West Bank for construction of a new public parking garage. The LPA will provide for the most efficient and cost-effective construction to serve the parking needs of the planned development, City Hall, Embassy Suites and general East Village area. Under the terms of the LPA, the City will lease purchase the parking garage once constructed. West Bank will provide construction financing and accept assignment of the LPA following construction of the parking garage.

The LPA provides a 20-year lease term with full payment and City ownership of the public parking garage at the end of such term. Following execution of the LPA and construction of the public parking garage, the City will have all rights of possession and operation of the public parking garage. The LPA includes a substantial completion date of October 15, 2017.

The annual projected revenue for the East 2nd and Grand Parking Ramp is initially \$300,000 and increases to \$500,000 in 2023. Additional growth and revenue is possible. The annual operating costs are estimated to be \$160,000. The first years of the lease purchase agreement would be interest payments only, allowing the Parking System to retire other current debt. After that, principal and interest payments would be approximately \$2 million annually, depending on final project cost and interest rate and funded through Parking System revenues.

The LPA provides the City Manager with authority for change orders that increase the City cost by up to \$25,000, consistent with current City policy. City Council will be asked to consider any change orders that increase City cost by more than \$25,000. The City is responsible for costs associated with change orders requested by the City. All other change orders required to construct the agreed to parking garage are the responsibility of the developer and contractor.

Standard construction phase services by the architect, Neumann Monson, is included in the LPA. Additionally, staff recommends Council approve a professional services agreement with Neumann Monson to provide additional services and assurances for the City acceptance of the garage at the commencement date. The professional services agreement is for construction phase services, not to exceed \$95,490.

The City received no competing development proposals. Pursuant to the development agreement, the City will initially sell the center parcel on the block for the parking garage to 101 East Grand Parking, LLC for fair market value. Following execution of the LPA and construction of the public parking garage by 101 East Grand Parking LLC, the City will have all rights of possession and operation of the public parking garage. At the end of the 20-year LPA term, or sooner, if the City chooses to pre-pay outstanding principal, the City will have complete ownership of the public parking structure improvements and underlying ground.

The second and third phases of development on the parcels on the north and south sides of the block (along E. Locust and E. Grand) will be sold to the developer for private development upon closing of construction financing. Development of these sites require ground floor retail or restaurant space, a minimum of four (4) floors, a minimum combined total of 28,000 square feet of office space, quality construction (steel or concrete structure and durable exterior materials). Construction on one (1) of

these two (2) sites is required within 18 months of the completion of the parking structure. Construction on the third phase is required within 18 months of the completion of the second phase.

The western parcel, facing City Hall will be retained in City ownership for a potential future City office building facing City Hall.

PREVIOUS COUNCIL ACTION(S):

Date: March 21, 2016

Roll Call Number: [16-0500](#), [16-0501](#), [16-0502](#), [16-0503](#)

Action: Items regarding sale and redevelopment of portions of the block, east of City Hall: ([Council Communication No. 16-161](#))

- (A) [Approving](#) addendum to Lease Agreement with Atrium Finance III, LP, and Atrium TRS III, LP, for relocation of the Embassy Suites Hotel parking lot, and temporarily closing the parking lanes on portions of the Walnut and Locust Street bridges and on portion of E. Walnut and E. Locust Streets. Moved by Gatto to adopt. Motion Carried 7-0.
- (B) [Setting](#) date of hearing on authorization of a Municipal Parking System Revenue Lease Purchase Agreement, not to exceed \$25,700,000 for the lease purchase acquisition of the Des Moines City Hall Parking Garage, (4-11-16). Moved by Gatto to adopt. Motion Carried 7-0.
- (C) [Setting](#) date of hearing on the proposed plans, specifications, form of contract documents, and estimated cost of the lease purchase of the City Hall Parking Garage, pursuant to a proposed lease purchase agreement between the City of Des Moines, 101 East Grand Parking, LLC and West Bank, (4-11-16). Moved by Gatto to adopt. Motion Carried 7-0.
- (D) [Consenting](#) to Plat of Survey, and approving Declaration of Covenants and Easements, and Construction and Access Easement Agreement. Moved by Gatto to adopt; and direct the City Manager and Legal Department to make any necessary and appropriate modifications to insurance requirements and commencement date. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Access Advisory Board

Date: March 16, 2016

Action: Approve City Hall Parking Garage as presented.

Resolution Number: N/A

Board: Urban Design Review Board

Date: March 1, 2016

Resolution Number: N/A

Action: Motion to approve as presented with noted comments regarding temporary landscape on west side of site along Robert D. Ray Drive by Nagle. Seconded by Hielkema. Yes – 5, No – 0, Absent – 4, Abstain – 1.

Board: Plan and Zoning Commission

Date: February 4, 2016

Resolution Number: N/A

Action: Motion to approve the proposed Site Plan, subject to the noted conditions by Kamper. Seconded by Briles. Motion carried. Yes – 12, No – 0.

Board: Board of Adjustment

Date: January 27, 2016

Resolution Number: N/A

Action: Motion to allow construction of 6-level parking structure that would be up to 75 feet in height. Motion carried. Yes – 5, No – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Council actions related to East Village street improvements on E. 2nd Street and Robert D. Ray Drive.
- Council consideration of amendments to conceptual development plan for phases three (3) and four (4) of the improvements.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.